

Message Text

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ACTION EB-08

INFO OCT-01 ISO-00 AF-10 ARA-10 EA-10 EUR-12 NEA-10
AGR-01 L-03 FRB-03 OMB-01 ITC-01 SP-02 ICA-11
AID-05 CIAE-00 COME-00 INR-10 IO-13 LAB-04
NSAE-00 OIC-02 SIL-01 OPIC-03 STR-07 TRSE-00
CEA-01 SS-15 /144 W
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R 101606Z AUG 78
FM USMISSION GENEVA
TO SECSTATE WASHDC 3103
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS
USMISSION USUN NEW YORK

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USEEC USOECD

E.O. 11652: N/A
TAGS: ETRD, PORG, UNCTAD
SUBJECT: COMMON FUND: GUIDANCE FOR INFORMAL CONSULTATIONS

REF: STATE 201781

1. GROUP B MET AUGUST 10 TO PREPARE FOR INFORMAL CONSULTATIONS AUGUST 18 AND SEPTEMBER 1-2 ON COMMON FUND.
 2. THERE WAS GENERAL AGREEMENT THAT AUGUST 18 MEETING SHOULD BE NON-SUBSTANTIVE WITH DISCUSSION LIMITED TO PROCEDURAL ARRANGEMENTS FOR SUBSEQUENT INFORMAL CONSULTATIONS, IN PARTICULAR, IDENTIFICATION OF PRIORITY ISSUES NEEDING CLARIFICATION. GROUP B COORDINATOR (AMBASSADOR HESSEL, FRANCE) SUGGESTED THAT DISCUSSION
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SHOULD FOLLOW UNCTAD SECRETARIAT PAPER OF JUNE 14 PREPARED FOR LAST INFORMAL CONSULTATIONS HELD IN JUNE. HE SUGGESTED A NUMBER OF SPECIFIC OBSERVATIONS ON VARIOUS PARAGRAPHS OF THAT PAPER. EC SUPPORTED THIS APPROACH. U.S., SUPPORTED BY CANADA, ARGUED THAT IT WOULD BE INADVISABLE TO USE SECRETARIAT PAPER AS BASIS AND THAT IT WOULD BE BETTER FOR GROUP B COUNTRIES TO PREPARE OUR OWN

LIST OF TOPICS WHICH WE CONSIDERED MOST NEEDED CLARIFICATION. AFTER SOME DISCUSSION, HESSEL AGREED TO THIS APPROACH AND SUGGESTED SIX MAJOR AREAS NEEDING DISCUSSION. HE ALSO SUGGESTED THAT IT WOULD BE APPROPRIATE IN REFERRING TO THESE TOPICS TO MAKE REFERENCES TO CERTAIN PARAGRAPHS OF JUNE 14 PAPER DEALING WITH THEM BUT WITH IT BEING CLEAR THAT FAILURE TO CITE OTHER PARAGRAPHS BY NO MEANS MEANT GROUP B COUNTRIES WERE IN AGREEMENT OR HAD NO PROBLEMS. THIS PROPOSED LIST OF MAJOR TOPICS WAS FINALLY REDUCED TO THE FOLLOWING FOUR: (1) FINANCIAL STRUCTURE OF FIRST WINDOW, WHICH WOULD COVER SUCH QUESTIONS AS SOURCES OF FUNDS, INCLUDING WHETHER OR NOT THERE WOULD BE DIRECT CONTRIBUTIONS; AMOUNT REQUIRED; ROLE, IF ANY, FOR CALLABLE CAPITAL; DEPOSIT-LOAN RATIO FOR ICAS, AND PURPOSES OF FIRST WINDOW, SUCH AS QUESTION OF WHETHER NATIONALLY HELD STOCKS WOULD BE FINANCED. ALTHOUGH IT WAS NOT SPECIFICALLY MENTIONED, THIS BROAD TOPIC WOULD ALSO PROVIDE OCCASION FOR DISCUSSION OF INTEREST RATES CHARGED AND PAID TO ICAS. (2) OTHER MEASURES. THIS WOULD PROVIDE FOR DISCUSSION OF QUESTIONS SUCH AS WHETHER THERE SHOULD BE A SECOND WINDOW, HOW TO DEFINE ITS FUNCTION, AND WHETHER IT WOULD HAVE A FINANCING ROLE. (3) DECISION-MAKING, VOTING AND MEMBERSHIP. (4) GENERAL OBJECTIVES AND SCOPE OF THE COMMON FUND. HESSEL PROPOSED THIS TO ALLOW FOR DISCUSSION OF TOPICS SUCH AS THOSE WE RAISED ON BASIS LIMITED OFFICIAL USE

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PARA 5A2 OF REFTTEL, I.E., WHETHER ALL AGREE THAT THE OBJECTIVE SHOULD BE STABILIZATION OF PRICES AROUND LONG-TERM TRENDS, THE NEED FOR THE AUTONOMY OF ICAS, AND IN GENERAL THE QUESTION OF THE RELATIONSHIP OF THE COMMON FUND AND THE INDIVIDUAL ICAS.

3. IT WAS AGREED THAT GROUP B WOULD NOT FORMALLY TABLE A PROPOSED AGENDA AT THE AUGUST 18 MEETING, SINCE WE WOULD NOT WANT THE SEPTEMBER 1-2 MEETING LIMITED BY A FORMAL AGENDA. INSTEAD, HESSEL WOULD SET FORTH THESE BROAD TOPICS FOR DISCUSSION ORALLY AND WITH ANY OTHER GROUP B COUNTRIES FREE TO ADD ADDITIONAL SPECIFICITY IF THEY SO DESIRED. PRESUMABLY, COREA WOULD THEN REFLECT THEM IN HIS LETTER OF INVITATION TO THE SEPTEMBER 1-2 MEETING.

4. CONSIDERABLE TIME WAS SPENT ON COMPOSITION OF GROUP B REPRESENTATION AT AUGUST 18 MEETING. FINAL RESULT WAS THAT EC WOULD BE REPRESENTED BY THREE--FRANCE (WHO IS SERVING AS GROUP B COORDINATOR ON CF), FEDERAL REPUBLIC (WHO HOLDS EC PRESIDENCY) AND ITALY; NORWAY, ON BEHALF OF NORDICS; U.S., JAPAN AND CANADA. AUSTRALIA, SWITZER-

LAND AND UK, WHO HAD ALSO WANTED OFFICIAL DESIGNATION, DESISTED, BUT ONLY ON UNDERSTANDING THAT GROUP B WOULD SUPPORT HAVING REPRESENTATION AT BOTH AUGUST 18 AND AUGUST 31 MEETINGS OPEN-ENDED SO THAT ANY COUNTRIES WHICH FELT THEY HAD A STRONG INTEREST IN THE SUBJECT COULD ATTEND AND POSSIBLY SPEAK. (IT WAS ALSO AGREED THAT COMPOSITION AT SEPT 1-2 MEETING WOULD NOT NECESSARILY BE SAME AS AT AUGUST 18 MEETING. WE NOTED WE HAD NO INSTRUCTIONS ON THIS QUESTION, AND STATED THAT WHILE WE SYMPATHIZED WITH DESIRE OF ALL INTERESTED COUNTRIES TO BE PRESENT, WE ALSO SYMPATHIZED WITH COREA'S DESIRE TO HOLD SIZE OF MEETING TO MANAGEABLE PROPORTIONS.)

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5. COMMENT: SEPT 1-2 MEETING WILL RESUMBLE UNCTAD "CONTACT GROUP" MEETING WHICH IS TRADITIONALLY OPEN-ENDED. CONCERNING ITS FUNCTION, HESSEL VIEWS IT AS PROVIDING COREA AN OCCASION TO TAKE A READING ON CURRENT GOVERNMENT POSITIONS, TO HELP HIM IN DECIDING WHETHER OR NOT TO RESUME THE FORMAL NEGOTIATIONS IN NOVEMBER. HESSEL CLEARLY DOES NOT LOOK ON IT AS AN OCCASION TO TRY TO MAKE SIGNIFICANT PROGRESS ON OUTSTANDING ISSUES. IT

CERTAINLY IS NOT BEING ORGANIZED IN A WAY THAT WOULD BE
PROPITIOUS TO NEGOTIATION.
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